

UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
OFFICE OF FOSSIL ENERGY

CHEVRON U.S.A. INC.

FE DOCKET NO. 12-113-LNG

ORDER GRANTING BLANKET AUTHORIZATION
TO EXPORT PREVIOUSLY IMPORTED
LIQUEFIED NATURAL GAS BY VESSEL

DOE/FE ORDER NO. 3221

JANUARY 4, 2013

I. SUMMARY

Following an examination of all record evidence in this proceeding in conformity with the requirements of section 3 of the Natural Gas Act, 15 USC 717b, as amended by section 201 of the Energy Policy Act of 1992 (Pub. L. 102-486) (NGA); part 590 of DOE's regulations, 10 CFR part 590 (2008); and applicable delegations and redelegations of authority,¹ the Office of Fossil Energy (FE) of the Department of Energy (DOE) is herein granting the September 10, 2012, application of Chevron U.S.A. Inc. (Chevron).

The authorization permits Chevron to export liquefied natural gas (LNG) that previously had been imported into the United States from foreign sources, in an amount up to the equivalent of 72 billion cubic feet (Bcf) of natural gas on a cumulative basis, over a two-year period commencing on December 8, 2012.² Chevron is authorized to export this LNG to any country with the capacity to import LNG via ocean-going carrier and with which trade is not prohibited by U.S. law or policy. This authorization permits such exports on a short-term or spot market basis from the Sabine Pass LNG Terminal (Sabine Pass), owned by Sabine Pass LNG, L.P., in Cameron Parish, Louisiana. This authorization permits Chevron to export natural gas to which it holds title. The authorization provided by this Order will not permit the export of domestically produced LNG.

¹ See, DOE Delegation Order No. 00-002.00L (Apr. 29, 2011) and DOE Redelagation Order No. 00-002.04E (Apr. 29, 2011).

² Chevron's previous blanket authorization to export LNG was granted in DOE/FE Order No. 2888 on December 8, 2010 and extended through December 7, 2012.

II. PROCEDURAL HISTORY

Chevron filed the “Application for Blanket Authorization to Export Liquefied Natural Gas on a Short-Term Basis” (Application) with FE on September 10, 2012. The Application was submitted pursuant to section 3 of the NGA and part 590 of DOE’s regulations. On November 6, 2012, DOE/FE published a Notice of application (Notice) in the Federal Register. 77 FR 66597. The Notice stated that comments, protests, motions and notices to intervene, and requests for additional procedures would be due no later than December 6, 2012.

FE received no filings in response to this Notice.

III. BACKGROUND

Chevron, a Pennsylvania corporation, has its principal place of business in San Ramon, California. Chevron Global Gas is a division of Chevron that engages in the global business of marketing and trading LNG. Chevron has contracted for 1.0 Bcf/day of terminal capacity at Sabine Pass with Sabine Pass LNG, L.P. for an initial term of twenty years that commenced in November 2004 with the option to extend the term for a period of twenty years. On June 22, 2012, DOE/FE Order No. 3113 granted Chevron blanket authorization to import LNG up to the equivalent of 800 Bcf of natural gas from various international sources for a two year period beginning on August 1, 2012. Under the terms of the blanket authorization, LNG may be imported at any LNG receiving facility in the United States and its territories.

Current Application

In the instant Application, Chevron requests blanket authorization to export previously imported LNG to which Chevron holds title on a short-term or spot market basis in an amount up to the equivalent of 72 Bcf of natural gas, on a cumulative basis, over a two-year period beginning on December 8, 2012. Chevron is seeking such authorization to export previously imported LNG to any country with the capacity to import LNG via ocean-going carrier and with

which trade is not prohibited by Federal law or policy. Chevron states that it does not seek authorization to export domestically-produced natural gas or LNG.

IV. **DECISION**

A. **Standard of Review**

Pursuant to the transfer of authorities under sections 301(b) and 402 of the DOE Organization Act, 42 USC 7151(b) and 42 USC 7172, DOE/FE is responsible for evaluating the instant application under section 3 of the NGA. Section 3(a) provides:

[N]o person shall export any natural gas from the United States to a foreign country or import any natural gas from a foreign country without first having secured an order of the [Secretary of Energy] authorizing it to do so. The [Secretary] shall issue such order upon application, unless after opportunity for hearing, [he] finds that the proposed exportation or importation will not be consistent with the public interest. The [Secretary] may by [the Secretary's] order grant such application, in whole or part, with such modification and upon such terms and conditions as the [Secretary] may find necessary or appropriate.

15 USC 717b(a).

In evaluating an export application under section 3, DOE/FE applies the principles described in DOE Delegation Order No. 0204-111, which focuses primarily on domestic need for the gas to be exported, as described in the Secretary's natural gas policy guidelines,³ and any other matters determined to be appropriate to a determination of the public interest. In addition, the National Environmental Policy Act (NEPA), 42 U.S.C. § 4321 *et seq.*, requires DOE to give appropriate consideration to the environmental effects of its proposed decisions.

B. **Domestic Need**

The instant application involves a request for authorization to export LNG that was not produced in the United States. Accordingly, exporting the natural gas necessarily could not reduce the availability of domestically produced natural gas. On the other hand, exporting

³ See 49 FR 6684, February 22, 1984.

previously imported LNG will still affect the domestic market because, for a two-year period, the exports will reduce the volume of natural gas potentially available for domestic consumption.

DOE/FE has issued recent blanket authorizations to export previously imported LNG⁴ and in each case cited authoritative data that indicates that United States consumers presently have access to substantial quantities of natural gas sufficient to meet domestic demand from multiple other sources at competitive prices without drawing on the LNG which Chevron seeks to export. DOE takes administrative notice that an analysis prepared by the Energy Information Administration (EIA) within DOE in the Annual Energy Outlook 2012, issued in June 2012 (*AEO 2012*), shows annual domestic dry natural gas production increasing from 20.58 trillion cubic feet (Tcf) in 2009 to 21.58 Tcf in 2010, to a projection of 23.65 Tcf by 2015⁵. In addition, the EIA projects a decrease of net natural gas imports from 2.58 Tcf in 2010 to 1.73 Tcf in 2015. In the *AEO2012*, Henry Hub natural gas prices were \$4.39 per million Btu in 2010 and \$4.29 per million Btu in 2015 (in 2010 dollars). Therefore, we find that United States consumers continue to have access to substantial quantities of natural gas sufficient to meet domestic demand from multiple other sources at competitive prices without drawing on the LNG which Chevron seeks to export. In addition, DOE/FE notes that no interested person intervened in this proceeding or otherwise challenged Chevron's assertions of sufficient supplies to meet domestic demand if the application is granted.

C. Other Public Interest Considerations

Domestic need is the only explicit public interest consideration identified by DOE in Delegation Order No. 0204-111. However, consistent with DOE's Guidelines and applicable

⁴ *The Dow Chemical Company*, DOE/FE Order No. 3162 (October 11, 2012); *Cheniere Marketing, LLC*, DOE/FE Order No. 3102 (June 7, 2012); *Dominion Cove Point LNG, LP*, DOE/FE Order No. 3055 (January 9, 2012); *Conoco Phillips Company*, DOE/FE Order No. 3038 (November 22, 2011).

⁵ EIA *AEO 2012*, Table A14, p. 159.

precedent, *e.g.*, Order No. 1473, the Department considers the potential effects of proposed exports on other aspects of the public interest. The other considerations in this case include the environment.

D. The Environment

NEPA requires DOE to give appropriate consideration to the environmental effects of its proposed decisions. In the Application, Chevron states that no new facilities or modifications to any existing facilities at the Sabine Pass LNG Terminal would be required in order for Chevron to export LNG from that facility. Under these circumstances, DOE's NEPA procedures provide for a categorical exclusion for which neither an environmental assessment (EA) nor an environmental impact statement (EIS) is required.⁶ Accordingly, DOE issued a Categorical Exclusion Determination, dated November 29, 2012, which found that the Chevron proposed action is categorically excluded from further NEPA review.

F. Conclusion

After due consideration based on all facts and evidence of record, DOE/FE finds that a grant of the export application is not inconsistent with the public interest. In particular, the record shows there is sufficient supply of natural gas to satisfy domestic demand from multiple other sources at competitive prices without drawing on the previously imported LNG which Chevron seeks to export through the authorization timeframe; and this application falls under DOE categorical exclusion such that no new EA or EIS will be required. Therefore, DOE/FE will grant the application.

⁶ "Approvals or disapprovals of new authorizations or amendments of existing authorizations to import or export natural gas under section 3 of the Natural Gas Act that involve minor operational changes (such as changes in natural gas throughput, transportation, and storage operations) but not new construction." 10 CFR Part 1021.410 Appendix B to Subpart D of Part 1021, Categorical Exclusions in B5.7.

ORDER

Pursuant to section 3 of the NGA it is ordered that:

A. Chevron is authorized to export LNG that previously had been imported from foreign sources in an amount up to the equivalent of 72 Bcf of natural gas pursuant to transactions that have terms of no longer than two years. This authorization shall be effective for a two-year term from December 8, 2012, and extending through December 7, 2014.

B. This LNG may be exported from the Sabine Pass LNG terminal to any country with the capacity to import ocean-going LNG carriers and with which trade is not prohibited by U.S. law or policy.

C. Chevron shall include the following provision in any contract for the sale or transfer of LNG exported pursuant to this Order:

"Customer or purchaser acknowledges and agrees that it will resell or transfer LNG purchased hereunder for delivery only to countries with the capacity to import ocean-going LNG carriers and with which trade is not prohibited by U.S. law or policy, and/or to purchasers that have agreed in writing to limit their direct or indirect resale or transfer of such LNG to such countries. Customer or purchaser further commits to cause a report to be provided to Chevron that identifies the country of destination, upon delivery, into which the exported LNG was actually delivered, and to include in any resale contract for such LNG the necessary conditions to ensure that Chevron is made aware of all such actual destination countries."

D. **Monthly Reports:** With respect to the export of LNG authorized by this Order, Chevron shall file with the Office of Natural Gas Regulatory Activities, within 30 days following the last day of each calendar month, a report indicating whether exports of LNG have been made. Monthly reports must be filed whether or not initial deliveries have begun. If no exports have

been made, a report of “no activity” for that month must be filed. If exports of LNG have occurred, the report must give the following details of each LNG cargo: (1) the name of the U.S. export terminal; (2) the name of the LNG tanker; (3) the date of departure from the U.S. export terminal; (4) the country of destination; (5) the name of the supplier/seller; (6) the volume in Mcf; (7) the delivered price per MMBtu; (8) the duration of the supply agreement (indicate spot sales); and (9) the name(s) of the purchaser(s).

(Approved by the Office of Management and Budget under OMB Control No. 1901-0294)

E. The first monthly report required by this Order is due not later than January 30, 2013, and should cover the reporting period from December 8, 2012, through December 31, 2012.

F. All monthly report filings shall be made to U.S. Department of Energy (FE-34), Office of Fossil Energy, Office of Natural Gas Regulatory Activities, P.O. Box 44375, Washington, D.C. 20026-4375, Attention: Ms. Yvonne Caudillo. Alternatively, reports may be e-mailed to Ms. Caudillo at Yvonne.caudillo@hq.doe.gov or ngreports@hq.doe.gov, or may be faxed to Ms. Caudillo at (202) 586-6050.

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